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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	92047013
Party	Plaintiff NeTrack, Inc.
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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

In re Registration No. 3,064,820
Mark: NETTRAK
Registered March 7, 2006

NeTrack, Inc., Petitioner	)	
v.	)	Cancellation No. 92047013
Internet FX, Inc., Registrant	)	

Commissioner for Trademarks
P.O. Box 1451
Alexandria, VA 22313-1451

PETITIONER'S REPLY TO REGISTRANT'S OPPOSITION TO PETITIONER'S MOTION TO STRIKE

The Petitioner, NeTrack, Inc. (hereafter referred to as "Petitioner") respectfully offers its reply to the Registrant, Internet FX, Inc's[1] (hereafter referred to as "Registrant") "Opposition to Petitioner's Motion to Strike", TTAB Paper 35, and respectfully requests that the Board GRANT the Petitioner's first and second Motions to Strike, TTAB Papers 8 and 22. The Petitioner hereby reasserts and incorporates all arguments within its first and second Motions to Strike, TTAB Papers 8 and 22, and further offers the following arguments regarding the present Registrant's Opposition to Petitioner's Motion to Strike:

A. <u>The Registrant's Introductory *Ad Hominem* Attacks Against the Petitioner Cannot Obfuscate the Registrant's "Gamesmanship" of the Litigation Process.</u>

[1] The listed Registrant for the mark NETTRAK has changed since the institution of this cancellation proceeding. Two assignments have been recorded to attempt to assign registration in the mark NETTRAK from Internet FX, Inc. to NetTrak Lead Manager Solutions, Ltd., which may be a subsidiary of Internet FX, Inc. For the purposes of this Motion, all references to the Registrant are intended to refer to whoever actually owns U.S. Trademark Registration No. 3,064,820.

The Registrant continues to try and "game" TTAB rules and processes, thereby introducing unending delays in the present Cancellation proceeding. In what has become a common theme for the Registrant, the Registrant opens its Opposition to Petitioner's Motion to Strike with *ad hominem* attacks by mischaracterizing the position and motives behind the Petitioner's two Motions to Strike the myriad confidential settlement information that was wrongfully disclosed in the public record and contrary to multiple express agreements between the parties to refrain from doing so. Generally, the Petitioner chooses not to give any dignity to the Registrant's accusations. However, it is instructive to revisit the historical record of this case, which objectively discloses that the Registrant, who in its briefs repeatedly bemoans the supposedly calculated "litigation surprise" on the part of the Petitioner, is the party repeatedly engaging in the "gamesmanship" that the Board previously expressed a strong distaste for. Examples of the Registrant's "gamesmanship" include:

- It was the Registrant that chose to not conduct discovery, while ignoring clear communications from the Petitioner that settlement was not imminent, then apparently regretted its gamble and followed-up its gambit by moving to reopen discovery the first time in TTAB Paper 6;
- It was the Registrant who deliberately breached public policy to disclose confidential settlement information for improper purposes, in the Registrant's first motion to reopen discovery despite warnings from the Petitioner's counsel not to do so (see TTAB Paper 6 (throughout), and especially Exhibits C through H);
- It was the Registrant who appears to have chosen to further compound said breach by opposing the Petitioner's attempt to strike said confidential settlement information from the record in TTAB Paper 10;
- It was the Registrant who later unilaterally withdrew its motion to reopen discovery in TTAB Paper 13;
- After causing all parties to concentrate on whether discovery would be reopened (thus causing a

halt in the progress of the further prosecution of the Petitioner's case until the uncertainties were removed), it was the Registrant who then immediately tried to claim in TTAB Paper 14 that the Petitioner failed to take testimony or offer evidence and therefore moved for dismissal;

- Upon the Board's rejection of the Registrant's move, it was the Registrant who moved once again to reopen discovery in TTAB Paper 20 in order to get another "mulligan" to compensate for the Registrant's own poor tactical decisions;

- It was the Registrant who deliberately breached its express agreement with the Petitioner not to use any confidential settlement information for any purpose in any forum (see, for example, TTAB Paper 22, page 2 of Exhibit A), revealing even more confidential settlement information in the Registrant's second motion to reopen discovery (see TTAB Paper 20); and

- It was the Registrant who filed its motion to suspend, TTAB Paper 38, and its request for telephonic hearing, TTAB Paper 39, on a Friday, mailing the Certificate of Service while simultaneously attempting to schedule the telephonic hearing with the interlocutory attorney on the immediate Thursday, *before* the Petitioner had even been put on notice of the filings. (Fortunately, the interlocutory attorney allowed the Petitioner to reschedule the telephonic hearing for the following week to allow an opportunity to prepare and be available.)

Of course, for each of the procedural attacks attempted by the Registrant, the Petitioner is necessarily placed in the position of having to respond. Nevertheless, the record shows that other than the Petitioner's justifiable two Motions to Strike the improper disclosure of confidential settlement information (TTAB Papers 8 and 22) and the Petitioner's Motion to Reset Testimony Periods (TTAB Paper 16) after the Registrant unilaterally withdrew its Motion to Reopen Discovery, the Petitioner has diligently tried to keep tangential motions filings to a minimum and the present Cancellation proceeding on course to conclusion. The Petitioner is sensitive to the fact that the Board has expressed displeasure from all of the filings in this case (see TTAB Paper 19 at page 2), and the Petitioner regrets being

positioned where the Petitioner must respond to each and every one of the new "gamesmanship" moves by the Registrant.

B. <u>The Registrant Had No Reasonable Basis to Assume That the Trial Schedule Was or Should Be Suspended and Also Had No Reasonable Basis to Believe That Settlement Was Imminent; Therefore, the Registrant Should Have Tended to Its Case.</u>

The Petitioner never indicated to the Registrant that settlement was "imminent", as there was simply too much difference between the positions of the parties to reach settlement; therefore, the Registrant's disclosure of confidential settlement information cannot be justified as evidence to show "excusable neglect". Yet, the Registrant unreasonably asserts that it had a basis to rely on its continued unilateral attempts to foist an unacceptable draft settlement agreement onto the Petitioner. The mere fact that the Registrant allegedly chose to detrimentally rely on the hope that a settlement could be reached does not mean that such reliance is (1) reasonable or (2) should translate into excusable neglect to engage in timely discovery, or any other scheduled trial-related task.

For example, in *Media Online Inc. v. El Clasificado, Inc.*, Cancellation No. 92047294 (TTAB 2008) (non-precedential), the petitioner sought a cross-motion to amend its pleading to add claims of descriptiveness and fraud after a long delay in filing the motion, rendering the amendment untimely. The only explanation that the petitioner offered for its delay is that the parties were engaged in settlement discussions, and that the petitioner was surprised by the respondent's reliance on the "affirmative defense" of priority not pleaded in its answer but purportedly raised as an issue for the first time in this case in respondent's motion for judgment on the pleadings. *Id.* However, ***the parties never filed a stipulation or consented motion to suspend proceedings*** to allow for additional time to pursue settlement talks. *Id.* Thus, the Board found that the petitioner could not reasonably have concluded that it need not concurrently shoulder its responsibility for moving the case forward and for preparing all possible claims for trial. *Id.*; <u>see also</u> *National Football League, NFL Properties LLC v. DNH Management, LLC*, Opposition No. 91176569 (TTAB 2008) (ruling against opposers' request to reopen discovery based on

the excuse that settlement negotiations were ongoing, finding that opposers knew or should have known that settlement or even legitimate talk of settlement was highly unlikely, and that opposers could not have reasonably concluded that they need not move forward and serve requests for discovery. "Indeed, after receiving no response to the multiple attempts to contact applicant to discuss settlement …, opposers still had ample time remaining to serve discovery.").

In the present case, the Registrant, by its own admission as it improperly disclosed substantive confidential settlement information in its second Motion to Reopen, acknowledges that it had been informed that there was "too big a gap" between the positions of the parties to reach settlement (see, for example, TTAB Paper 6, especially Exhibits C through H, and TTAB Paper 20 at page 4). Moreover, the Registrant has demonstrated its knowledge of the TMBP rules in that it acknowledged portions of the TMBP manual that state that the Board will entertain stipulated motions for suspension of proceedings to facilitate settlement discussions for a specified time, usually six months. See TMBP § 510.03(a). However, generally such a suspension is made subject to either party's right to request resumption of proceedings at any time. *Id.* (citing *Instruments SA Inc. v. ASI Instruments Inc.*, 53 USPQ2d 1925, 1927 (TTAB 1999) (it may be the safest course of action for parties engaged in settlement to file a consented motion or stipulation to suspend proceedings) and *MacMillan Bloedel Ltd. v. Arrow-M Corp.*, 203 USPQ 952 (TTAB 1979) (order suspending proceedings for settlement vacated once it came to Board's attention that adverse party objected to suspension on such basis).

At a minimum, the Registrant was reckless in its conduct and did not attempt to seek a stipulation to suspend proceedings early in the process. The Registrant had no reasonable basis to assume that the Petitioner was not simultaneously ensuring its due diligence in the prosecution of the present Cancellation proceeding. The Registrant assumed the risk of not ensuring that it had an agreement to suspend because the Board does not automatically suspend proceedings on its own accord, despite the assertion made by the Registrant in its Opposition to Petitioner's Motion to Strike. See *Old Nutfield Brewing Company, Ltd. v. Hudson Valley Brewing Company, Inc.*, 65 USPQ2d 1701 (TTAB 2002) (proceedings are not

suspended automatically when parties are discussing settlement and a party which fails to timely move for extension or suspension of dates on the basis of settlement does so at its own risk).

Here, the Registrant did not have a reasonable basis to believe that settlement was imminent, and the Registrant cannot point to exigent circumstances that prevented it from serving discovery while the Registrant continued its unilateral attempts to settle with the Petitioner. Such a situation points to the Registrant's claimed need for an extension of discovery as a product solely of the Registrant's unwarranted delay in initiating discovery. See *National Football League, NFL Properties LLC v. DNH Management, LLC*, Opposition No. 91176569 (TTAB 2008). That being the case, then the Registrant cannot justify the maintaining of confidential settlement information in the record because any settlement discussions between the parties did not cause the Registrant to fail to take discovery. In the absence of consent, each party is expected to comply with its responsibilities. *Id.* at Note 8. In a Board proceeding, this includes the responsibility for moving the case forward on the prescribed schedule. *Id.*

C. The Existence of Settlement Discussions, and Especially Their Details, Is Not Relevant to the Registrant's Motion to Reopen Discovery Based on "Excusable Neglect".

The Registrant asserts that it engaged in "excusable neglect" based on the existence of some settlement discussions, albeit once the Petitioner indicated to the Registrant that the positions of the two parties were too far apart, the so-called settlement discussions have been largely one-way: The Registrant was apparently *hoping* that the Petitioner would change its position over the unacceptable proposal from the Registrant. Even if, *for the sake of discussion only*, the existence of settlement discussions were enough to make the existence of "excusable neglect" more probable than not, then the disclosure of *virtually all* of the settlement discussion details is wholly unwarranted. It cannot be fully predicted how the public disclosure of such details could affect the Petitioner in a future case, for example. Therefore, *at the most*, the only fact concerning confidential settlement information that should be in the public record is that settlement negotiations were taking place because such negotiations are almost always taking place

during any case — all other related details should be stricken.

Contrary to the Registrant's assertion, the Petitioner engaged in good-faith negotiations and once it was apparent that no settlement seemed possible, clearly and unambiguously communicated this fact to the Registrant, which is admitted by the Registrant in its second Motion to Reopen Discovery (TTAB Paper 20). This renders the settlement negotiation details, or at least the details of settlement negotiations after that point in time, as irrelevant to the determination as to whether there was "excusable neglect" by the Registrant in letting its Discovery cutoff date pass. The Registrant cannot claim to have been waiting for comments from an already-rejected draft agreement in good faith once the Petitioner indicated that further discussions would be a waste of time.

D. <u>The Registrant's Improper Use of the Confidential Settlement Information Is Not Justified Under Federal Rules of Evidence 401, 403, and 408, as well as Associated Underlying Public Policies.</u>

The Petitioner has already set forth its arguments with regard to Federal Rules of Evidence 401, 403, and 408. The Petitioner hereby reasserts and incorporates by reference all arguments contained in both of the Petitioner's Motions to Strike improperly disclosed confidential settlement information (TTAB Papers 8 and 22) and the Petitioner's Reply in Support of the Petitioner's first Motion to Strike (TTAB Paper 12).

Moreover, the 1972 Advisory Counsel Notes for Federal Rule of Evidence 408 (FRE 408) make it clear that the primary public policy consideration underlying that rule is promotion of the public policy favoring the compromise and settlement of disputes. Further, the Advisory Committee Notes to the 2006 Amendment to FRE 408 warn of the chilling effect on compromise negotiations if confidential settlement information cannot be protected from public disclosure:

> …The inability to guarantee protection against subsequent use could lead to parties refusing to admit fault, even if by doing so they could favorably settle the private matter. Such a chill on settlement negotiations would be contrary to the policy of Rule 408.

Here, the Registrant seeks to gain the Board's endorsement of its deliberate breach of an express condition between the two parties to not use any confidential settlement information for *any* purpose. If the Board gives its blessing to the Registrant's actions, then there is no prospect for further settlement negotiations because then the Petitioner will not be able to rely on the underlying public-policy considerations to encourage settlements in this or any future action. Consequently, the Board would absolutely chill the willingness and ability of the Petitioner to engage in further settlement negotiations in this or any future case before the Board.

E. The Petitioner Will Potentially Suffer Irreparable Harm If the Improperly Disclosed Confidential Settlement Information Is Not Stricken from the Record.

Because it is foreseeable that the Petitioner could again find itself in the position of trying to protect its mark against others, the conduct of this case and its public-record disclosures could influence the decisions and judgments of future adversaries. It follows then that the Petitioner does not want confidential settlement information, including the Registrant's self-serving characterization of the confidential settlement discussions, made part of the public record. In addition, as a general rule, it is highly improper for one party to overtly notify the trier of fact (in this case, the Board) of the existence of and nature of any settlement negotiations. There is simply too much potential to compromise the objectivity of the trier of fact, even though the trier of fact may well attempt to disregard in good faith such information in its deliberations.

The *repeated* actions of the Registrant may rise to the level of professional misconduct, as it may be considered to be conduct that is prejudicial to the administration of justice and is in violation of the United States Patent and Trademark Office Code of Professional Responsibility under 37 CFR § 10.23(b)(5). Indeed, the Petitioner's counsel explicitly warned the Registrant's counsel not to reveal confidential settlement information in the record (see, for example, TTAB Paper 20, especially Exhibit H). Of course, it is well within the Board's discretion to impose some measure of equitable sanctions

against the Registrant.

F. Conclusion

The decision to disclose confidential settlement information should not be taken lightly. In order to serve a client's best interest by maintaining an environment as conducive to settlement discussions as possible, disclosing or even threatening to disclose confidential settlement information should only occur after all other means of introducing relevant facts to the record have been exhausted. Abuse of this fundamental principal should not be tolerated by the Board, as such conduct runs counter to the Board's stated policies and the underlying public policy behind Federal Rule of Evidence 408.

In the present case, the Registrant improperly and repeatedly disclosed confidential settlement information into the record in violation of Federal Rule of Evidence 401, as it was and remains irrelevant and did not make the existence of any fact of consequence more probable or less probable than it would have been without the confidential settlement information being disclosed. The improper and unjustified disclosure of confidential settlement information was also in violation of Federal Rule of Evidence 403, as its probative value was and remains substantially outweighed by the danger of unfair prejudice to the Petitioner as well as confusion of issues, and/or it represents a needless presentation of cumulative evidence that settlement discussions took place during the discovery period.

WHEREFORE, for all of the reasons discussed herein, the Petitioner respectfully requests that the Board GRANT the Petitioner's Motion to Strike the portions of the Registrant's "Motion to Reopen Discovery Period and Reset Testimony and Trial Periods; Supporting Declaration of Britt L. Anderson", as well as the portions of the Registrant's "Motion to Reopen Discovery Period and Reset Testimony and Trial Periods; Supporting Declarations of Laura M. Franco and Christine Klenk".

Respectfully submitted,

/s/
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CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing PETITIONER'S REPLY TO REGISTRANT'S OPPOSITION TO PETITIONER'S MOTION TO STRIKE was deposited on November 24, 2008 with the United States Post Office, First Class postage prepaid, and addressed to the Registrant's Correspondent as follows:

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